

ARGENTINA

More than three years after the default, in mid-January Argentina made an official swap offer to its bond creditors which calls for net present value losses of around 70%. In doing so, Argentina expects bond creditors to accept net present value losses of more than twice the amount agreed upon on average in other debt rescheduling processes over the last 15 years. At the same time, Argentina's economy continues to grow strongly, resulting in strong growth of tax revenues and budget surpluses. In this situation, the creditor association GCAB, among others, continues to categorically reject the swap offer. The Argentinean government keeps emphasizing that this offer will not be improved in any way. The outcome of the swap is to be announced on March 18. Economy minister Lavagna intimated that a participation of approx. 50% would already be considered sufficient, whereas the IMF's definition of a successful debt rescheduling presumably would call for a minimum participation of 75%.

ANNUAL FIGURES AND FORECASTS

ARGENTINA		2002	2003	2004e	2005f	2006p
DOMESTIC ECONOMY						
GDP change (real)	%	-10.9	8.8	8.2	4.5	3.8
GDP	US\$ bn	99.1	127.3	150.8	163.2	177.3
Inflation (year-end)	%	41.0	3.7	6.1	8.5	8.7
Inflation (average)	%	25.9	13.4	4.4	7.5	8.6
PUBLIC SECTOR						
Budget balance, central government	% GDP	-1.4	0.6	2.5	2.0	1.0
Budget balance, public sector	% GDP	-1.8	1.3	3.5	2.5	3.6
Public debt*	% GDP	139	140	123	117	111
Amortization*	US\$ bn	17.9	19.8	19.8	14.2	11.8
Gross financing needs	US\$ bn	19.2	19.1	16.0	11.0	10.1
EXTERNAL SECTOR						
Merchandise exports	US\$ bn	25.7	29.6	34.4	35.5	37.1
Merchandise imports	US\$ bn	8.5	13.0	21.1	26.4	29.6
Trade balance	US\$ bn	17.2	16.5	13.3	9.1	7.5
Current account balance****	US\$ bn	9.6	7.9	4.0	0.4	-1.4
Current account balance****	% GDP	9.7	6.2	2.6	0.3	-0.8
Net direct investment	US\$ bn	1.7	-0.3	0.7	1.5	2.0
Foreign exchange reserves, year-end	US\$ bn	10.5	14.1	19.6	21.5	23.0
Import cover **	months	5.6	5.8	6.3	5.9	5.9
US\$ exchange rate, year-end	Pesos	3.37	2.93	2.97	3.11	3.20
US\$ exchange rate, average	Pesos	3.15	2.95	2.94	3.04	3.14
FOREIGN DEBT *						
Gross foreign debt	US\$ bn	135.7	147.0	152.0	155.0	158.0
Foreign debt	% exports**	427	400	365	357	349
Short-term foreign debt	US\$ bn	23.8	39.7	60.0	69.0	79.6
Foreign debt amortization	US\$ bn	19.7	30.5	22.5	16.3	13.5
Foreign debt service	US\$ bn	29.6	40.1	32.3	26.3	23.5
Foreign debt service	% exports**	93	109	78	61	52
FINANCIAL MARKETS (year-end)						
Interbank interest rate, overnight	%	7.5	2.0	3.0	5.0	5.0
Merval stock index (peso based, 2005: 01/19)		525	922	1375	1337	
IFCI stock index (US\$ based, 2005: 01/19)		265	502	763	739	
Bond market yield spread (2005: 01/19)***	bps	6229	6463	4707	5332	

* without rescheduling **goods and services ***EMBI+ ****incl. interest payment due

e=estimate; f=forecast

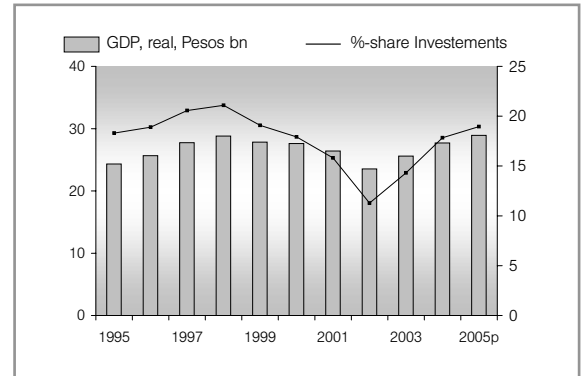
Public finances: As expected, the first presentations of the road show for the bond swap had nothing new to offer other than the details already known for weeks. According to current plans, the tender offer period is set to run from January 14 until February 25. The early tender offer period, during which investors are guaranteed a swap of the equivalent of max. US\$ 50,000 into par bonds runs until February 4. The creditor association GCAB which, according to its own figures, accounts for 45% of total eligible debt (US\$ 81.8 billion), is likewise holding a road show aimed at clearly demonstrating that Argentina can afford to make a better offer. Following agreements reached with the government, local pension funds and commercial banks, which together hold 25% of the bonds concerned, had already given their assurance that they would participate in the swap some weeks ago.

Economic activity: At 8.3% (year-on-year), economic growth in the third quarter turned out higher than expected (DBLA forecast: 7.5%). The seasonally adjusted growth rate accelerated to 2.9% (quarter-on-quarter) following a drop of 0.8% in the second quarter. Consumption and investments showed further substantial year-on-year increases in the third quarter (+8.8% and +33.1%, respectively). Recent monthly GDP figures (November: +9.7% year-on-year) point to continued strong growth. In addition, bonus payments to wage earners brought forward to December and the announcement of additional wage hikes are likely to underpin consumption. Against the backdrop of this overall positive scenario, we now project growth rates of 8.2% for 2004 and 4.5% in the current year (previously 7.5% and 4%, respectively).

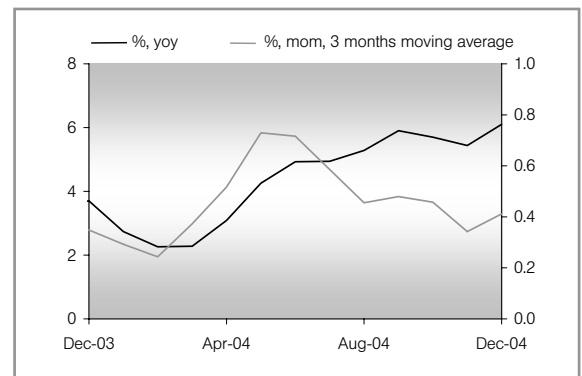
Monetary sector: December saw a relatively high inflation rate at 0.8% (month-on-month). However, the 12-month rate (6.1%) continued to stay below the target corridor of 7% to 11% originally envisaged by the central bank. Due to wage increases decreed by the government and the sustained expansionary monetary policy, we expect a further increase in inflation to 8.5% in the current year.

External sector: The current account surplus (including interest payments due) dropped substantially in the third quarter, to US\$ 533 million (Q3 2003: US\$ 1.5 billion). This was mainly due to a drop in the trade surplus (higher imports) and higher profits being transferred abroad by companies. For the year 2004 as a whole, the current account surplus should be down by half on the previous year, to a good US\$ 4 billion (2.6% of GDP). Excluding a possible debt rescheduling of Argentinean government bonds, we expect this year to see a drop in the current account surplus to US\$ 400 million amid a further increase in imports. Foreign currency reserves should rise further to US\$ 21.5 billion. The Argentinean government estimates the relief to the current account resulting from a successful debt rescheduling (based on a participation quota of 100%) in the form of lower contractual interest payments to be in the region of 2% of GDP per annum.

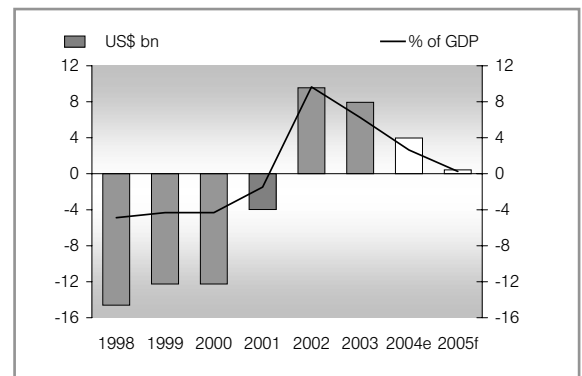
GDP AND INVESTMENTS



INFLATION



CURRENT ACCOUNT BALANCE



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MONTHLY AND QUARTERLY FIGURES

ARGENTINA: MONTHLY INDICATORS		Sep-04	Oct-04	Nov-04	Dec-04	next/latest
DOMESTIC ECONOMY						
Economic activity indicator, EMA	% yoy	8.2	6.6	9.7		16-Feb
Economic activity indicator, EMA (season. adjust.)	% mom	0.6	0.7	0.6		16-Feb
Industrial production	% yoy	10.5	7.7	8.3	9.6	17-Feb
Industrial production (seasonally adjusted)	% mom	0.7	-0.1	0.0	1.9	17-Feb
Construction	% yoy	14.8	8.2	11.6		28-Jan
Construction (seasonally adjusted)	% mom	5.0	0.5	-0.9		28-Jan
Consumer confidence (UTDT)	% mom	1.4	4.5	9.5		10-Feb
Supermarket sales (real, seasonally adjusted)	% yoy	4.8	5.7	5.7		27-Jan
Supermarket sales (real, seasonally adjusted)	% mom	-1.8	2.0	-0.6		27-Jan
Tax revenues	% yoy	30.8	31.8	26.8	36.0	2-Feb
Budget balance	Pesos mn	1054	1263	358		31-Jan
Primary balance	Pesos mn	1385	1508	1085		31-Jan
Consumer prices	% yoy	5.9	5.7	5.4	6.1	3-Feb
Consumer prices	% mom	0.6	0.4	0.0	0.8	3-Feb
Wholesale prices	% yoy	0.2	0.6	-1.2	0.9	3-Feb
Overnight peso rate (month-end; latest: 01/19)	%	2.6	2.5	2.4	2.3	2.3
Peso deposits (month-end, latest: 01/18)*	Peso bn	99.0	100.6	103.0	104.9	106.4
EXTERNAL SECTOR						
Merchandise exports	US\$ mn	2969	2837	3043		31-Jan
Merchandise exports	% yoy	25	16	24		31-Jan
Merchandise imports, cif	US\$ mn	2013	1959	2198		31-Jan
Merchandise imports	% yoy	53	36	65		31-Jan
Trade balance	US\$ mn	956	878	845		31-Jan
Foreign exchange reserves (latest: 01/19)	US\$ bn	18.2	18.6	18.9	19.6	19.8
US\$ exchange rate (latest: 01/19)	Pesos	2.98	2.97	2.94	2.97	2.94
ARGENTINA: QUARTERLY INDICATORS		Q4 03	Q1 04	Q2 04	Q3 04	next /latest
DOMESTIC ECONOMY						
GDP (seasonally adjusted)	% qoq	3.0	1.5	0.5	1.5	17-Mar
GDP	% yoy	11.7	11.3	7.1	8.3	17-Mar
Private consumption	% yoy	11.9	11.7	8.3	8.8	17-Mar
Public consumption	% yoy	0.3	0.8	-0.8	4.8	17-Mar
Private and public investment	% yoy	48.9	50.3	36.8	33.1	17-Mar
Domestic demand	% yoy	15.4	15.3	11.0	10.7	17-Mar
Export (goods and services)	% yoy	5.5	7.7	-0.2	9.2	17-Mar
Import (goods and services)	% yoy	51.7	55.8	42.5	38.1	17-Mar
Unemployment rate (EPH)	%	14.5	14.4	14.8	13.8	17-Mar
Budget balance, central government	Pesos mn	-1	3982	6667	3371	31-Jan
Public debt***	US\$ bn	178.8	180.0	181.2		
EXTERNAL SECTOR						
Current account balance	US\$ bn	1.0	0.3	1.7	0.5	22-Mar
Net foreign direct investment	US\$ bn	0.5	0.5	-0.9	0.5	22-Mar
Net portfolio investment	US\$ bn	-2.6	-3.3	-0.9	-1.9	22-Mar
Capital account**	US\$ bn	-0.4	0.6	0.9	0.2	22-Mar
Change in foreign reserves #	US\$ bn	-0.6	-0.9	-2.6	-0.7	22-Mar
Gross foreign debt	US\$ bn	147.0	147.3			22-Mar
Short-term foreign debt	US\$ bn	39.7	45.5			22-Mar

* bank deposits of private sector; ** incl. residual items ***without overdue interest and amortization payments # - = increase